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Message Text

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15
ACTION NEA-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 NSAE-00 NSCE-00 SSO-00

USIE-00 INRE-00 DEAE-00 INR-10 IO-13 JUSE-00 RSC-01

SNM-02 SY-10 TRSE-00 NSC-10 SCI-06 OMB-01 AGR-20 SS-15

IGA-02 PA-03 PRS-01 SPC-03 INT-08 SCEM-02 AID-20

COME-00 EB-11 FRB-02 XMB-07 OPIC-12 CIEP-02 DRC-01

L-03 H-03 STR-08 /189 W
---------- 102859
O 150826Z SEP 73
FM AMEMBASSY ISLAMABAD
TO SECSTATE WASHDC IMMEDIATE 1079
INFO AMCONSUL KARACHI
AMCONSUL LAHORE
AMCONSUL PESHAWAR

LIMITED OFFICIAL USE ISLAMABAD 7865

E.O. 11652: N/A
TAGS:
SUBJ: BHUTTO VISIT: ECONOMIC MATTERS

SUMMARY: SECGEN FINANCE AND ECON DEVELOPMENT KAZI DISCUSSED GOP VIEWS ON NARCOTICS COOPERATION, SPECULATING ON POSSIBILITY BHUTTO MIGHT MENTION SUBJECT DURING SPEECH SCHEDULED SEPTEMBER 15. HE AND CHARGE TOOK HEART FROM SOME FAVORABLE DEVELOPMENTS RELATING TO PROBLEMS OF AMERICAN INVESTORS, LATTER, HOWEVER, DRAWING PARTICULAR ATTENTION TO LONG-TERM PROBLEM AMERICAN OIL COMPANIES. KAZI SAID BHUTTO AND PARTY WILL SEEK NOT ONLY MORE WHEAT AND VEGETABLE OIL FROM US, BUT ALSO LARGER COMMODITY LOANS. END SUMMARY

1. CHARGE SANDERHOFF MET WITH SECGEN FINANCE AND
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ECONOMIC DEVELOPMENT KAZI FOR ONE HOUR SEPTEMBER 15

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FOR LAST MINUTE ROUNDUP ON ECONOMIC MATTERS PRIOR TO KAZI'S DAPARTURE WITH PRIME MINISTER BHUTTO AND PARTY FOR US SAME AFTERNOON. (KAZI WAS LATE ADDITION TO PARTY AND IS ONLY EXPERT IN GROUP ON ECONOMIC PROBLEMS).

2. WE GENERALLY REVIEWED AND BROUGHT UP TO DATE SUBJECTS COVERED IN MEETING OF PRESIDENT'S DISASTER RELIEF COORDINATOR WILLIAMS AND MISSION OFFICERS WITH KAZI AND OTHERS SEPTEMBER 4 (SEE MEMCON SEPTEMBER 7, 1973). CHARGE INTRODUCED NEW SUBJECT OF NARCOTICS, PRIMARILY TO VERIFY KAZI BRIEFED ON DEVELOPMENTS IN THAT FIELD, AS PLANNED, BY SEC PLANNING JAFAREY. KAZI CONFIRMED THIS. WE DISCUSSED STRENGTHENING OF ENFORCEMENT, KAZI OBSERVING THAT BUDGETARY SUPPORT IS PROBLEM, AS PNCB ASKING FOR TEN TIMES ITS ORIGINAL REQUEST FOR FUNDS. CHARGE NOTED PRIME MINISTER HAD RECENTLY ASSURED CHARGE SOBER THAT ADEQUATE FUNDS WOULD BE AVAILABLE. WHEN KAZI WENT ON TO MENTION ADDED BUDGETARY STRINGENCIES REFLECTING FLOOD DISASTER, CHARGE SUGGESTED WE COULD PERHAPS USEFULLY DISCUSS POSSIBILITY SOME USE USG-OWNED RUPEES; RECOGNIZED THIS WOULD NOT REPRESENT TRANSFER NEW RESOURCES, BUT MIGHT BE GOOD PLACE TO CUT DOWN ON OUR SURPLUS HOLDINGS. ON PRODUCTION SIDE, KAZI INDICATED GOP PREPARED MOVE PRIOR TO PRESENT CROP YEAR BEGINNING NOVEMBER 1973 TO REDUCE POPPY OUTPUT. SPOKE ALONG NOW FAMILIAR GOP LINES OF ELIMINATING ILLICIT PRODUCTION AND CUTTING LICENSED PRODUCTION IN SETTLED AREA, WITH LATER MOVES IN MERGED AND FINALLY TRIBAL AREAS. KAZI WAS SOMEWHAT VAGUE ON TIMETABLE FOR PHASING DOWN PRODUCTION, NOTING THAT DIMENSIONS OF PROBLEM FOR TRIBAL AREA PARTICULARLY DIFFICULT TO DETERMINE AT THIS TIME. GOP WOULD LIKELY HAVE TO USE CARROT AND STICK TACTICS. KAZI SAID BHUTTO MIGHT MAKE A STATEMENT ON NARCOTICS IN HIS SPEECH SCHEDULED FOR SEPTEMBER 15, 1900 HOURS LOCAL TIME (IF SO WE WILL REPORT).

3. WE DISCUSSED PROBLEMS OF AMERICAN INVESTORS IN PAKISTAN. CHARGE CONFIRMED THAT ESSO FERTILIZER HAD RECEIVED BOTH R 29 MILLION CHECK AND SIGNED AGREEMENT. KAZI ASKED ALSO IF ALICO QUESTION WAS OUT OF WAY, AND LIMITED OFFICIAL USE

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CHARGE SAID NOT QUITE YET, AND WE CONCERNED BY REPORT THAT AMOUNT OF SETTLEMENT MIGHT BE IN QUESTION. KAZI TELEPHONED HIS FINANCE SECRETARY AND WAS INFORMED THAT FOLLOWING ECC APPROVAL OF LEGISLATIVE BILL, LATTER HAD BEEN APPROVED BY ASSEMBLY; WAS ALSO INFORMED THAT AMOUNT OF SETTLEMENT WOULD BE AS AGREED WITH ALICO. (REF STATE 180268). CHARGE ALSO BROUGHT TO KAZI'S ATTENTION DAWOOD HERCULES DEVELOPMENTS, EXPLAINING THAT FAVORABLE ACTION

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ON KNOW-HOW AGREEMENT STILL LEFT ARREARAGES UNDER TECHNI-
CAL SERVICES AGREEMENT (ISLAMABAD 7858). KAZI SUGGESTED
THIS BE DISCUSSED WITH MINISTRY INDUSTRIES. FINALLY,
CHARGE URGED THAT KAZI GIVE ATTENTION TO POSITION OF
AMERICAN OIL COMPANIES IN PAKISTAN, ESSO AND CALTEX.
PROBLEM CENTERS AROUND GOP POLICY OF EXPANDING DOMESTIC
INTERESTS, WHICH LEAVES AMERICAN COMPANIES IN STATIC
POSITION IN CONTEXT OF GROWTH IN OVERALL MARKETING
AND DISTRIBUTION SECTOR. CHARGE SAID IT UNDERSTANDABLE
GOP WOULD WISH FACILITATE GROWTH DOMESTIC INTERESTS,
BUT SAW SERIOUS PROBLEM FOR AMERICAN COMPANIES, AND ONE
WHICH COULD JEOPARDIZE THEIR CONTINUING OF OPERATIONS
HERE. URGED KAZI TO CONSIDER CAREFULLY WHAT PAKISTAN
GAINS FROM TECHNOLOGY AND KNOW-HOW OF AMERICAN COMPANIES,
AND HOW PAKISTAN MIGHT STAND IN NEED OF SUPPLIES FROM
AMERICAN COMPANIES IN PERIOD AHEAD MARKED BY WORLD
DEMAND OUTSTRIPPING SUPPLY. (ESSO REPS HAVE EXPRESSED
SERIOUS CONCERN OVER THEIR POSITION HERE, AND NOW CALTEX
REP HAS WRITTEN STRONG LETTER TO CHARGE SANDERHOFF ON
MATTER, REPORTING HE HAS ADVISED HIS HQ NEW YORK THAT
SUBJECT SHOULD BE PROPOSED AS AGENDA ITEM FOR TALKS
PRESIDENT NIXON AND PRIME MINISTER BHUTTO; CALTEX REP
EXPECTS COME ISLAMABAD NEXT WEEK.)

4. KAZI SAID, WITH RESPECT TO PAKISTAN'S NEEDS FOR
EXTERNAL ASSISTANCE, THAT BHUTTO AND PARTY WOULD BE
SEEKING FROM US, IN ORDER OF PRIORITY, (A) WHEAT;
(B) VEGETABLE OIL; AND (C) INCREASED COMMODITY LOAN
ASSISTANCE. ON WHEAT, CHARGE REPEATED ESSENTIALLY
SEPTEMBER 4 REMARKS OF WILLIAMS, AND ON VEGETABLE OIL
SAID WE EXPECTED BE OF SOME HELP. KAZI REPEATED GOP
UNCERTAINTIES AS TO EXTENT STORED WHEAT LOSSES DURING
FLOOD, SAYING EMPHATICALLY "WE WILL NEVER KNOW".
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REMARKED THAT IF HIGH ESTIMATES OF 1.4 MILLION TONS
MATERIALIZE, "WE A
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